

RATIONALE FOR REQUESTING AN INCREASE IN THE HONEY CREEK RESORT STATE PARK REVENUE BONDING CAP

SEPTEMBER 19, 2005

Introduction

The strategy in seeking revenue bonds to finance portions of the Honey Creek Resort State Park Project was to use this source to cover construction costs of those elements that generate a revenue stream to retire the 30-year bonds. Construction costs for the 108-room lodge, aquatic center, 18-hole golf course and family cabins are estimated at approximately \$28 million. The State Treasurer's Office worked with Public Financial Management Group of Des Moines and Economics Research Associates of Chicago, Illinois to arrive at projections of revenues and expenses (including debt service on the revenue bonds). Based on cooperative analyses of the financial data and projections of annual users and revenues, the Treasurer concluded that revenue bonds in the amount of \$35,065,000 would be required to provide \$28 million in construction funds. The bonding cap should have been set at this \$35+ million level to provide the \$28 million needed.

Utilizing the same ratio as provided in the Treasurer's analyses (\$35 million in revenue bond sales yielding \$28 million for construction), it is our assumption that \$28 million in revenue bond sales would yield approximately \$22.4 million in construction funding. This means a shortage of approximately \$5.6 million in construction funds for the key revenue-generating facilities referenced above.

Status of the Project

Attached is a "Schedule of Significant Milestones" in a process to secure a private partner by early 2006. The Request for Qualifications and Interest was distributed on September 15; and the DNR activated a detailed website to provide all interested parties with full details of the project and the RFQ/RFP process (www.iowadnr.com/parks/honeycreek/)

Responses to the RFQ are due by October 12. A short list of up to five firms will be invited to respond to a Request for Proposals, with responses due on January 4, 2006.

Funding for the project is coming from a variety of sources, including the potential for a private operator to share in selected development costs. If private funding from the State's private partner is forthcoming, changes can easily be made in the following projected distribution of funding responsibilities. Break out of the existing and proposed funding sources as of this date are:

Revenue Bonds-----	\$22.4 million
Appropriated Funds on Hand-----	\$4.0 million
Required private match (to be raised)-----	\$4.0 million
Park and Institutional Road Funds-----	\$2.0 million
Marine Fuel Tax-----	\$1.5 million
Federal (Corps) appropriations, FFY06-----	\$1.5 million
<u>Federal (Corps) appropriations, FFY07-----</u>	<u>\$6.5 million</u>
TOTAL-----	\$41.9 million

Estimated total construction costs-----\$47-\$48 million
“Gap”-----\$5.0-\$6.0 million

Rationale for seeking an increase in the bonding cap

Making the correction to the bonding authority cap would cover the “gap” in the above scenario. By increasing the bonding cap to \$35,056,000 (the amount that the State Treasurer indicated was needed to provide \$28 million in construction funds) the legislature would be doing that which they believed they were doing in May 2005. Analyses by Public Financial Management Group and the Treasurer’s Office in April 2005 indicated the project would essentially cash flow at the \$35,065,000 level. The Centerville Bank has indicated a willingness to cover a minor shortfall of approximately \$66,000 in 2009 if this shortfall actually occurs.